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## MEMORANDUM

To: County Board of Commissioners  
Date: September 20<sup>th</sup>, 2022  
From: Bruce Messelt  
Subject: 2023 Budget Levy Update

At your August Budget Workshop, County staff presented a *Preliminary 2023 Budget* with a proposed levy increase of 7.76%. Discussed at that time were the significant constraints placed on preparation of the County's 2023 *Preliminary Budget and Levy*, including:

- Continued constraints on revenues from County investments due to low interest rates;
- A \$2 million (or 11.2%) reduction in both one-time (or grant) and recurring formula-based State Categorical Aid to Sherburne County;
- Upward pressure on personnel, material, and energy costs due to high inflation and a competitive labor market;
- Failure of the MN State Legislature to complete several major tax and spending bills this past legislative session, leaving some \$1.5 million in anticipated new revenue unfulfilled;
- Necessary staffing, programs, and activities to support the County's population growth and provide the services requested by our citizens or mandated by other governments – resulting, for example, in a 7% increase to support Public Safety and a 6% increase in Human Services.

This initial 7.76% levy increase notwithstanding, due to rising residential market values and over \$220 million in new construction countywide, we expect the county's tax base to grow by some 21%. Thus, even if this initial 7.76% levy increase were adopted, the County's effective tax rate would decrease.

However, to lessen the financial impact to area residents, farmers and businesses, staff has continued to refine the *Preliminary 2023 Budget and Levy*, including by undertaking the following actions:

- Adjusted revenue projections by \$185,000
- Utilized federal ARPA funds to offset pandemic related costs; and
- Reduced projected expenses in multiple departments, saving approximately \$40,000.

As a result of these changes, the current *Proposed 2023 Levy* recommendation is now at 6.99%. By comparison, with the receipt of the reasonably expected \$1.5 million in State funding increases, this levy increase would be 4.26%. Regardless, even with adoption of the *Proposed 2023 Levy* the effective tax rate will still decrease by an estimated 12%.

To provide the Board some perspective, if an individual’s property value had not increased and stayed flat, residents would see the following property tax reductions with a 6.99% levy increase:

**County Property Taxes with a 6.99% levy increase**

<u>Valuation</u>	<u>2022 County Tax</u>	<u>2023 County Tax</u>	<u>Difference</u>
\$150,000	\$557	\$490	-\$67
\$200,000	\$797	\$701	-\$96
\$300,000	\$1,277	\$1,123	-\$154
\$400,000	\$1,758	\$1,546	-\$212
\$500,000	\$2,204	\$1,938	-\$266

However, as noted above, property values have not stayed flat – they have increased approximately 23%. Thus, with a 6.99% levy increase, an average valued property of \$344,000 would see their county property tax increase approximately \$10 per month, due to the change in value.

County Staff will continue to look for ways to further reduce the *Final 2023 Budget and Levy* prior to final certification in December.